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Statement of Senator Chuck Grassley on Release
of Final Report by the General Accounting Office:
Free Trade Area of the Americas Negotiations Move Toward Agreement
That Will Have Benefits, Costs to U.S. Economy

Tuesday, September 25, 2001

Today, I am releasing the second of two reports by the United States General Accounting Office on the status of the Free Trade Area of the Americas negotiations.

I commissioned this GAO review over one year ago because of the tremendous significance of the FTAA negotiations. These are perhaps the most important regional trade negotiations the United States has ever engaged in. They are aimed at eliminating tariffs, opening markets, and agreeing on a set of common trading rules with our 33 democratic Western Hemisphere neighbors. As this GAO analysis shows, the successful completion of the FTAA negotiations will produce significant economic benefits for America's economy. Our Western Hemisphere neighbors already purchase 36 percent of all U.S. exports in goods and services. In my state of Iowa, about one-third of all the goods sold in international commerce, or about \$1 billion worth of exports, are shipped to the FTAA region.

The GAO report states that a comprehensive FTAA agreement could have "wide-ranging effects on U.S. trade and investment with other Western Hemisphere countries." Some of the specific benefits of a successfully completed FTAA cited by the GAO are quite telling, especially since they are supported by the findings of other U.S. government agencies, like the U.S. Department of Agriculture.

Among these findings are:

- the elimination of tariff and nontariff barriers would provide greater market access for U.S. exporters. This would be an extremely significant development, since agricultural tariffs in many FTAA countries tend to be quite high. Argentina, for example, has a 35 percent tariff on U.S. soybeans and soy oil. In Nicaragua, the soybean tariff is 60 percent.
- Because of preferential trade agreements, many of our competitors receive more favorable treatment for their exports than U.S. exporters receive. A comprehensive FTAA would redress this inequity.

These benefits are particularly significant in light of the fact that, because of a lack of a sustained effort to negotiate more favorable trade terms in the FTAA region, United States exporters are missing out on important new export opportunities, opportunities that our competitors are taking advantage of.

For example, today the United States sells less than 8 percent of all our exports south of Mexico's southern border, the Yucatan. As a result, we are under-penetrating a market of 403 million people.

But if we succeed in eliminating all agricultural tariffs in the FTAA region, our highly competitive farmers would win significant new market share in our own hemisphere.

The GAO's analysis of the FTAA negotiations clearly shows that several areas of discussion are complex and difficult. I have never underestimated the complexity of these negotiations. The fact that they are complex should not be surprising. Anytime 34 countries get together to discuss wide-ranging tariff elimination and market access, negotiations are bound to be challenging.

But the difficulties inherent in talks of this nature point out the necessity of renewing the President's Trade Promotion Authority this year. The truth is, no country is willing to put its best deal on the table if offers and counter-offers are subject to constant renegotiation. Without trade promotion authority, the President will be hard-pressed to conclude these critically important talks in a satisfactory manner.

Finally, the FTAA negotiations are the result of a United States-led initiative to integrate the economies of the Western Hemisphere in order to increase investment and promote economic activity throughout the region. The prestige of the United States is at stake. It is vitally important for our continued leadership in international trade that we stay on course, keep this process moving forward, and give the President the negotiating authority he needs to achieve the best results for America.